

: CBO Confirms Comparative Effectiveness Research Saves Money

Tuesday, 11 September 2007

Essential research would also save lives.

MEDIA ADVISORY, Monday, September 12, 2007

CONTACT: Yoni Cohen, Stark (202) 225-3202

STARK: CBO CONFIRMS COMPARATIVE EFFECTIVENESS RESEARCH SAVES MONEY

Essential research would also save lives

Washington,
D.C. – Representative Pete Stark (D-CA), Chairman of the Ways and Means Health Subcommittee, today responded to the Congressional Budget Office’s evaluation of the Children’s Health and Medicare Protection (CHAMP) Act’s proposed creation of a Center for Comparative Effectiveness Research. The center would conduct studies on the outcomes, effectiveness, and appropriateness of health care services.

The Congressional Budget Office is typically reluctant to score savings for short-term investments that result in long-term benefits. In this instance, however, CBO found that comparative effectiveness research (CER) would “eventually yield lower health care spending without having adverse effects on health – and that the potential reduction in spending… is substantial.”

“Researching which treatments work best should be a no-brainer,” said Stark. “Too often, however, Congress legislates in a manner that is penny-wise, pound-foolish. The Congressional Budget Office’s evaluation confirms that spending a little today on comparative effectiveness research would save a lot of money tomorrow. More importantly, academics and scientists believe that comparative effectiveness research would also save lives. I look forward to working with my colleagues in both the House and Senate to make it law.”

CBO’s letter is available by clicking on this link. Background information on CER follows.

Little comparative evidence exists about treatment effectiveness: Though the United States spends more than 16 percent of its Gross Domestic Product on health care, little information is available to doctors about which treatments work best for which patients and under which circumstances. Manufacturers and providers aren't required to prove whether new and expensive approaches work better than current treatments. As a result, not much is known about whether the added benefits of newer and more expensive services are sufficient to warrant their added costs vis-à-vis older and cheaper services.

Experts agree that CER would produce valuable information: Health policy experts, economists, researchers, employers, consumers, health plans and physicians have all called for federal investments in comparative effectiveness information. The Center for Comparative Effectiveness Research would provide both doctors and patients with unbiased information about the efficacy of health services, helping to protect patients' health and limiting unnecessary expenditures. Comparative effectiveness information is a "public good for the information age."

Such information would reduce health expenditures in the short term: According to CBO, CER would reduce total health care spending by both public and private purchasers by \$500 million during the next five years and \$6 billion during the next decade. The federal government alone would save \$100 million in the next five years and \$1.3 billion over the next 10 years.

But the bulk of savings would come down the road: Because research takes time, the full benefits of CER would not be felt until after 2017. According to CBO, "it would probably be a decade or more before new research on comparative effectiveness had the potential to reduce health spending in a significant way."

Medicare's seed money is therefore a modest investment that will provide a healthy return: CHAMP calls for Medicare to provide \$300 million in the first three years to fund the center's "start-up" phase and provide a portion of long-term funding. According to CBO, the net cost of CER after savings would be just \$0.5 billion over five years and \$1.1 billion over 10 years.

Similarly, private insurers' contributions will also lead to big savings and lower the cost of private insurance: To ensure future investment in money-saving research, CHAMP also requires insurers to pay their fair share, \$1.8 billion over 10 years, or only \$2 per insured individual per year. CBO did not estimate CER's direct impact on private insurers, but did estimate a \$4.7 billion reduction in private health care spending over the next decade. This reduction in spending is two and a half times larger than the cost to private insurers and should enable insurers to lower consumers' premiums and/or out-of-pocket expenses by more than \$2 per year.